

INFORMATION LETTER

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Briefs Seek Supreme Court Rulings on A. A. A. and T. V. A.

Briefs were deposited Tuesday with the U. S. Supreme Court bringing to an issue the constitutionality of the Agricultural Adjustment Act and the Tennessee Valley Authority.

Solicitor General Stanley Reed filed the A. A. A. brief through which the government seeks reversal of the decision of Judge Scott Wilson of the First Circuit Court declaring the processing and floor stock taxes illegal in the case of the Hoosac Mills Corporation.

The brief in the T. V. A. case was filed by counsel for the Alabama Power Company and contests the decision in the Fifth Circuit Court which ruled for the government.

Amended Sea-Food Inspection Law

In the Information Letter for August 24th, attention was called to the fact that Congress had passed an amendment to the sea-food inspection law designed to relieve packers of sea-food from the salaries of inspectors.

The Third Deficiency bill carried as one of its items the sum of \$60,000 for the salaries of inspectors assigned to such service. Since the Deficiency bill failed of passage, no funds have been provided by Congress for the salaries of shrimp inspectors and the salaries of inspectors will continue to be charged to the cost of shrimp inspection unless and until appropriations for such inspection be made by Congress. The passage of the amendment will therefore make no change in the regulations now in force regarding the packing of shrimp.

Social Security Act Approved

In this week's Information Letter is published an analysis of the provisions of the Social Security Act, which was approved by the President on August 14th. Appropriations for carrying the Act into effect were included in the Third Deficiency bill, which failed of enactment because of a filibuster in the Senate during the closing hours of Congress. It has been announced, however, that funds will be found to set up the administrative machinery authorized by the Act before Congress convenes in January, at which time it is expected that the necessary appropriations will be made.

The Association will endeavor to keep its members advised concerning announcements, regulations, etc., issued by the Social Security Board appointed by the President.

Weather Conditions

District	Week ended Aug. 20, 1935		Week ended Aug. 27, 1935		Week ended Aug. 28, 1934	
	Temp.	Rain	Temp.	Rain	Temp.	Rain
Maine	76	.0	67	1.0	64	.6
Western New York.....	76	.1	66	.1	64	1.9
Tri-States	80	2.7	74	.8	75	2.4
South Central Ohio.....	77	1.7	72	.0	68	.4
Central Indiana	76	4.8	72	.0	60	.5
Central Illinois	78	.0	73	.2	66	.5
Northern Illinois, Southern Wisconsin..	76	1.1	68	.0	63	.1
Southern Minnesota	70	1.4	69	.2	65	.3
Northern Colorado	75	.3	72	1.0	67	.0
Northern Utah	74	.7	77	.1	76	.0
Northwestern Washington	61	.2	65	.0	71	.0
Southeastern Washington	66	.2	73	.0	78	.0

Canned Food Exports in July

Articles	July, 1934		July, 1935	
	Pounds	Value	Pounds	Value
Canned meats, total.....	1,231,791	\$404,357	1,350,026	\$453,682
Beef	92,103	27,722	121,084	41,278
Pork	990,418	345,791	1,039,632	364,889
Sausage	109,375	25,885	58,842	15,848
Other	39,895	4,959	110,468	31,667
Canned vegetables, total....	3,527,066	358,542	3,891,319	433,070
Asparagus	2,091,953	253,366	2,397,981	317,493
Baked beans, and pork and beans	438,030	24,210	472,405	30,743
Corn	123,031	9,598	53,797	4,743
Peas	425,603	32,570	472,490	38,515
Soups	129,443	14,201	148,122	15,732
Tomatoes	87,196	6,364	162,747	7,186
Other	231,810	18,233	243,777	18,658
Condensed milk	1,242,898	127,636	319,281	35,567
Evaporated milk	3,277,927	201,208	1,580,930	101,272
Canned fruits, total.....	10,782,971	1,482,855	15,367,197	1,211,190
Apples and applesauce....	1,893,516	76,304	1,291,027	53,277
Apricots	3,387,766	208,267	4,577,851	345,594
Berries, other	25,437	3,013	102,064	11,935
Cherries	92,485	9,618	100,068	11,375
Fruits for salad.....	3,360,470	338,955	2,643,205	291,359
Grapefruit	918,777	60,466	1,442,673	90,554
Loganberries	1,183,782	94,183	1,385,951	97,953
Peaches	4,550,210	313,927	893,806	64,755
Pears	1,231,887	90,918	1,505,279	119,184
Pineapple	2,996,191	216,985	1,287,452	111,337
Prunes	42,946	4,421	27,810	2,241
Other	69,504	5,898	109,411	11,606
Salmon	4,685,928	628,140	1,210,055	184,023
Sardines	2,407,759	136,897	3,820,443	217,728

Complaint Against Dog Food Manufacturer

The Federal Trade Commission has issued a complaint against a corporation engaged in the manufacture, sale and distribution of dog foods, including a brand which is represented by advertisements in

magazines, circulars and other means as containing "62½ per cent government inspected beef and beef products," and has been "U. S. inspected and passed by Department of Agriculture," charging that the brand of dog food in question is not made of government inspected beef or beef products, and actually contains considerably less than 62½ per cent beef or beef products.

The company is given until September 27th to show cause why an order should not be entered by the Commission requiring it to cease and desist from the violations of the law charged.

Progress of Shrimp Pack

	1935		1934	
	Aug. 15- Aug. 21	Aug. 1- Aug. 21	Aug. 16- Aug. 22	Aug. 2- Aug. 22
	Cases	Cases	Cases	Cases
East Coast	3,100	10,968	3,546	7,096
Alabama and Louisiana....	23,773	38,561	40,163	73,501
Mississippi	500	500	8,836	11,966
Texas	1,511
Total	27,373	50,029	52,545	94,074

THE SOCIAL SECURITY ACT

The Social Security Act was approved August 14, 1935. It establishes a system of Federal old-age insurance, benefits from which will be first payable in 1942, and which is financed by taxes payable by employers and employees based on wages beginning in 1937. It encourages the passage of state laws for unemployment compensation by imposing Federal taxes on employers of eight or more persons beginning in 1936, the revenue from which will be available for grants to states whose unemployment compensation insurance laws are approved by a Social Security Board provided for the administration of the Act. Grants are also given the states for old-age assistance and other aids to public welfare.

The most important provisions of the Act from the standpoint of the canning industry appear to be the following:

Federal Old-Age Benefits and New Federal Tax on Employers and Employees

The system of Federal old-age benefits provided by the Act establishes a direct relationship between the Federal Government and the individuals involved. The states as such have nothing to do with it. It will comprise a system of old-age insurance payable to certain employees and financed by taxes based on their wages and paid by the employees and their employers. Presumably an enormous Federal organization will have to be established to administer these benefits throughout the United States.

This plan is for the future. The benefits are first payable in January, 1942, and the taxes from which they are to be financed are first payable in 1937.

To qualify for benefits, an individual must be at least sixty-five years of age, must have received not less than \$2,000 in total wages after December 31, 1936, and before he attained the age of sixty-five, and must have received these wages with respect to employment on some day in each of five years.

"The term 'employment' means any service, of whatever nature, performed within the United States (including Alaska and Hawaii) by an employee for his employer, except—

"(1) Agricultural labor;

"(2) Domestic service in a private home;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;

"(5) Service performed in the employ of the United States Government or of an instrumentality of the United States;

"(6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;

"(7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Every such qualified individual shall be entitled to receive from the age of sixty-five, or on January 1, 1942, whichever is later, and until his death, an old-age benefit at monthly rates of from \$15 to \$85, determined as follows:

1. If his total wages * from December 31, 1936, until he attained the age of sixty-five were not more than \$3,000, one-half of one per cent of such wages, or \$15.

2. If such total wages were more than \$3,000, one-half of one per cent of \$3,000, plus one-twelfth of one per cent of the amount by which such total wages exceeding \$3,000 did not exceed \$45,000, plus one-twenty-fourth of one per cent of the amount by which such total wages exceeded \$45,000, but in no case exceeding \$85.

If an individual dies before attaining the age of sixty-five, his estate is to receive an amount equal to three and one-half per cent of his total wages with respect to "employment" after December 31, 1936, and if he dies after the age of sixty-five, his estate is to receive the same amount less any benefits paid him during his lifetime. Individuals who do not qualify to receive the monthly benefits are to be paid, on

*For employees receiving more than \$3,000 in a calendar year, only the first \$3,000 is considered wages.

attaining the age of sixty-five, three and one-half per cent of their total wages from December 31, 1936.

Payment of benefit is to be withheld for each month in which a qualified individual who has attained the age of sixty-five received wages for regular employment.

An account is established in the Treasury known as the old-age reserve account, and appropriations are authorized, beginning with the fiscal year June 30, 1937, in an amount sufficient as an annual premium to provide for the Federal old-age benefits provided by the Act.

A new Federal tax is imposed upon all employers and employees based on wages received in employment in any service performed within the United States, Alaska, and Hawaii by individuals below the age of sixty-five, except the classes of employees who were excepted from the definition of "employment" in the provisions for Federal old-age benefits.

The employee is to pay a tax on his wages (defined as "all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash" up to \$3,000 a year) at the following rates:

<i>Calendar Year</i>	<i>Taxes</i>
1937, 1938, 1939.....	1%
1940, 1941, 1942.....	1½%
1943, 1944, 1945.....	2%
1946, 1947, 1948.....	2½%
1949 and thereafter.....	3%

This tax is to be deducted by the employer from the wages when paid and is to be paid to the United States by the employer, but it is not to be allowed as a deduction in computing net income for income tax purposes.

Every employer is also to pay a new excise tax with respect to the same employees, equal to the following percentage of their wages:

<i>Calendar Year</i>	<i>Taxes</i>
1937, 1938, 1939.....	1%
1940, 1941, 1942.....	1½%
1943, 1944, 1945.....	2%
1946, 1947, 1948.....	2½%
1949 and thereafter.....	3%

Grants to States for Old-Age Assistance

For the fiscal year ending June 30, 1936, an appropriation of \$49,750,000 is authorized, and appropriations are authorized for succeeding years, to be used in making payments to states whose plans for old-age assistance shall have been approved by the Social Security Board. After January 1, 1940, the state plan must provide a limit of not over sixty-five years, but until then a seventy-year limit is permissible. The Federal Government is to pay each such state, beginning with the quarter commencing July 1, 1935, an amount equal to payments by the state to aged needy individuals but not exceeding \$15 a month

for each such individual. An additional five per cent is granted the states for costs of administration.

It will be noted that this plan, which immediately goes into effect, establishes no direct relationship between the Federal Government and the individual. It is a contribution from the Federal Government to the states. It also differs from the Federal old-age benefits in the following respects:

1. There is no occupational exception to the persons who may receive assistance.
2. No new Federal taxes are imposed to finance payments.
3. The assistance is limited to needy persons.
4. It takes effect at once.

**Grants to States for Unemployment Compensation Administration and
Federal Tax on Employers of Eight or More Workers**

For the purpose of assisting states in the administration of their unemployment compensation laws, an appropriation of \$4,000,000 is authorized for the fiscal year ending June 30, 1936, and \$49,000,000 for each fiscal year thereafter. From this appropriation payments are to be made to the states for administration of their unemployment compensation laws. Broad discretion is given the Board in the determination of the amount to be paid each state. No such payment can be made, however, by the Federal Government unless the compensation law of the state has been approved by the Social Security Board and contains certain provisions specified by the Act, including:

"The payment of all money received in the unemployment fund of such State, immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund * * *.

"Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law."

The Social Security Board is required to approve any state law which contains certain stated provisions, including:

"(5) Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization."

The "unemployment trust fund" is held by the Secretary of the Treasury, and may be invested in obligations made or guaranteed by the United States. Separate accounts are to be kept for each state agency, and the secretary must pay out funds requisitioned by a state.

A new Federal tax is imposed upon every employer within the United States, including Alaska and Hawaii, who employs eight or more employees "on each of some twenty days during the taxable year, each day being in a different calendar week," with the following exceptions:

1. Agricultural labor.
2. Domestic service in a private house.
3. Officer or member of the crew of a vessel on the navigable waters of the United States.
4. Individual in the employ of his son, daughter or spouse, or a child under twenty-one in the employ of his parent.
5. Employees of the United States, states, subdivisions, or instrumentalities thereof.
6. Non-profit institutions organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.

This tax is based on total wages paid by the employer, not in excess of \$3,000 paid any individual. The rate is one per cent in 1936, two per cent in 1937, and three per cent thereafter.

The employer may credit against this tax the amount of contributions with respect to employment during the taxable year paid by him into an unemployment fund under a state law which has been approved by the Social Security Board, but not exceeding ninety per cent of the Federal tax. After 1937 additional credit is also allowable to any employer who is permitted to make payments at less than the highest rate required by the state. The provisions as to this additional credit are complicated, and persons interested should study Sections 909 and 910 of the Act.

There is to be no unemployment compensation payable by the United States to any individual. Here the Federal Government deals entirely with the states. This part of the Act is designed to encourage the states to pass unemployment compensation laws. It will be noted that if a state has an unemployment compensation law which has been approved by the Social Security Board, employers of eight or more in the state will receive credit for taxes paid the state and their employees will receive benefits from the state, but if the state has no such unemployment compensation law employers of eight or more will have to pay the full tax to the United States and their employees will receive no benefit, the taxes going into the general revenue of the Federal Government.

Miscellaneous Grants to States

Appropriation of \$24,750,000 is authorized for the fiscal year ending June 30, 1936, and "a sum sufficient" is authorized for future years for making payments to states whose plans for aid to dependent children

have been approved by the Board. Grants are to be made on the basis of one-third by the Federal Government and two-thirds by the states, with the Federal allowance limited to \$6 a month for a single child and \$4 a month for any other child in the same household.

An appropriation of \$3,800,000 is authorized for each fiscal year, beginning with 1936, to aid the states in promoting health of mothers and children.

An appropriation of \$2,850,000 a year is authorized for each fiscal year beginning with 1936, for the assistance to the states in providing surgical, corrective and other services and facilities for crippled children. States are required to contribute equal amounts.

An appropriation of \$1,500,000 annually for 1936 and subsequent years is authorized to aid state welfare agencies in caring for homeless, dependent and neglected children.

An appropriation of \$841,000 is authorized for 1936 and 1937, and \$1,936,000 a year thereafter to supplement state programs for vocational rehabilitation of the physically disabled.

An annual appropriation of \$8,000,000 for 1936 and subsequent years is authorized for assistance to the states and their political subdivisions in maintaining public health services.

An annual appropriation of \$3,000,000, beginning in 1936, is authorized for the purpose of enabling the states to furnish assistance to needy individuals who are blind.

Social Security Board

A Social Security Board is established, to consist of three members appointed by the President and confirmed by the Senate, who shall hold office for six years and shall receive salaries at \$10,000 each. The Board is to perform the duties imposed upon it by the Act, and shall also study and make recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy concerning old-age pensions, unemployment compensation, accident compensation, and related subjects.

The President has appointed the following as the members of the original Board: John G. Winant, Republican, former Governor of New Hampshire, for a term ending August 14, 1941; Arthur J. Altmeyer, Democrat, Second Assistant Secretary of Labor, formerly Labor Commissioner of Wisconsin, for a term ending August 14, 1939; and Vincent M. Miles, Democratic National Committeeman from Arkansas, for the term ending August 14, 1937.

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